



Energy Facility Permitting
85 7th Place East, Suite 500
Saint Paul, MN 55155-2198

June 18, 2008

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
127 7th Place East, Suite 350
St. Paul, MN 55101-2147

RE: In the Matter of the Application for a Route Permit for the Chisago County 115/161 kV
High Voltage Transmission Line Project (PUC Docket No. E002/TL-06-1677)

Dear Sir:

Attached are the Minnesota Office of Energy Security Energy Facility Permitting (OES EFP) Staff Comments and Recommendations and Proposed Addendum to the Chisago Transmission Project Route Permit issued on February 20, 2008.

In that Order, the Commission requested the city of Lindstrom and the Applicant (Xcel Energy) meet to negotiate items of concern to the Commission regarding "Segment 2" of the permit, and deferred action on that segment in the issued permit. The parties met and subsequently submitted a joint compliance filing on May 23, 2008, presenting their agreement on a route and conditions for Segment 2.

OES EFP staff is recommending to add an addendum to the route permit reflecting that "Joint Agreement." Staff is available to answer any questions the Commission may have.

Sincerely,

David E. Birkholz, OES EFP Project Manager

cc: Bob Cupit, PUC Facility Planner



BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS AND RECOMMENDATIONS OF THE OFFICE OF ENERGY SECURITY ENERGY FACILITY PERMITTING STAFF

DOCKET NO. E002/TL-06-1677

Meeting Date: June 26, 2008

Agenda Item # 4

Company: Northern States Power Company (d/b/a Xcel Energy)

Docket No. E002/TL-06-1677

In the Matter of the Application for a Route Permit for the Chisago County 115/161 kV High Voltage Transmission Line Project

Issues: Should the Commission approve a Joint Recommendation of the Applicant and the city of Lindstrom for a route and conditions for “Segment 2” of the Chisago Transmission Project?

Should the Commission issue an addendum to the Chisago Transmission Project HVTL Route Permit to identify the specific route and permit conditions for “Segment 2.”

OES Staff: David E. Birkholz651-296-2878

Relevant Documents

ALJ Report.....November 19, 2007
OES EFP Comments and Recommendations January 11, 2008
Commission Order ... Granting Route Permit ... Deferring Action February 20, 2008

The enclosed materials are work papers of the Department of Commerce Energy Facility Permitting Staff (DOC EFP). They are intended for use by the Public Utilities Commission and are based on information already in the record unless otherwise noted.

This document can be made available in alternative formats, i.e., large print or audio tape, by calling (651) 201-2202 (Voice) or 1-800-627-3529 (TTY relay service).

Documents Attached:

1. Proposed Addendum to HVTL Route Permit – Attachment A

(Relevant documents and additional information can be found on eDockets (06-1677) or the DOC EFP website: <http://energyfacilities.puc.state.mn.us/Docket.html?Id=18938>)

Statement of the Issues

Should the Commission find that the Negotiations and the Agreement between the Applicant and the city of Lindstrom adequately supplement the record in order to make a determination on the Segment 2 portion of the Chisago Transmission Project? Should the Commission issue an addendum to the HVTL permit, identifying a specific route and permit conditions for the Lindstrom segment (Segment 2)?

Introduction and Background

On January 5, 2007, Xcel Energy (Applicant) filed a route permit application under the alternative review process for the Chisago County to Apple River transmission line project (Project). Applicants also filed an application for a Certificate of Need (E002, ET3/CN-04-1176) on November 15, 2007, for the same transmission project. On February 20, 2008, The Commission issued an “Order Granting Certificate of Need, Granting Route Permit, and Deferring Action on Portion of Route Permit Application Pending Negotiations and Further Filings.” These supplemental Comments and Recommendations address that deferred action.

Project Area

The portion of the route that was deferred lies between Linden Street and Broadway Street in the city of Lindstrom. The project as originally proposed for this segment ran along 1st Avenue, which is slated to become the westbound section of Hwy 8 following its conversion by the Minnesota Department of Transportation into reversed pairs through downtown Lindstrom. An existing 69 kV transmission line delineates the proposed route. An alternate route under consideration includes undergrounding transmission a like distance along Newell Avenue, two blocks to the South of 1st Avenue.

Project Description

The Project includes:

- Replacing the existing 69 kV transmission line through the project area on 1st Avenue with a new 115 kV transmission line, or
- Replacing the existing 69 kV transmission line through the project area by undergrounding a new 115 kV transmission along Newell Avenue.

Regulatory Process and Procedures

On February 20, 2008, The Commission issued an Order issuing the Route Permit for the Chisago Transmission Project for all but the segment running through downtown Lindstrom. The Commission had determined that none of the solutions available for that segment were satisfactory or had enough development in the record to support issuance of a permit. In response, the Commission ordered the relevant parties, the Applicants and the city of Lindstrom, to enter into negotiations and to come to an agreement between the parties on an acceptable solution. Specifically, the Order stated:

“The Commission will therefore require the parties to meet for three purposes: (a) to clarify the facts surrounding the Newell Avenue alternative and the downtown overhead alternative, including the pedestrian traffic issue; (b) to explore potential funding mechanisms and cost recovery alternatives in connection with the Newell Avenue underground alternative; and (c) to explore the potential for agreement on the appropriate route. The Commission will require a report on these discussions within 90 days and will ask its Executive Secretary to manage procedural and scheduling issues arising in the context of these discussions.”

Joint Meetings

From February 12 to May 19, 2008, representatives of the Applicant, the city of Lindstrom and OES EFP staff met together seven times to address the Commission Order. Details of those meetings are available for review in the Meeting Minutes in Attachment A of the Joint Compliance Filing. The meetings were productive efforts to flesh out the details required by the Commission and explore opportunities and limitations inherent in a number of possible solutions. On May 15, 2008, Applicants and staff also attended a Lindstrom City Council Meeting to help address questions and concerns the city had in regards to a pending agreement. At this meeting the Lindstrom Council voted unanimously to support the agreement between Applicant and the city.

The direct result of the meetings is the Joint Compliance Filing currently before the Commission. Additionally, the Applicant and the city used time in these meetings and throughout the 90 days to investigate mitigation options on segments of the line already permitted by the Commission. This included engineering work by the Applicant and discussions between the parties on potential costs and financial responsibility for conditions and mitigations not already covered by the Commission in their original permit issuance.

Joint Filing

The “Joint Compliance Filing Regarding Construction and Route Options in the City of Lindstrom” was filed with the Commission on May 23, 2008. In the filing, the Applicant and the city responded clearly to each of the Commissions’ concerns to address routing issues along 1st Avenue, to evaluate cost sharing options on the Newell Alternative and to, if possible, come to an agreement on the best option to present to the Commission.

The parties had extensive negotiations on how to mitigate the issues of routing the 115 kV along 1st Avenue. They addressed two issues in particular arising from the record: that the original route proposal did not satisfactorily consider pedestrian traffic congestion along 1st Avenue; and that it did not mitigate the aesthetic concerns of the ALJ, as described in his report, as to cultural and tourism-related impacts along that route.

The parties investigated the full costs of undergrounding the transmission along Newell Avenue, including how the city could participate in those costs in a meaningful way. The discussion included how the city could contribute towards alleviating costs to ratepayers by providing space for the route within its right-of-way and by coordinating construction with its own plans to develop the Swedish Immigrant Trail along that corridor.

The Joint Filing describes in detail the results of discussions on the 1st Avenue route. It also addresses the concerns the city had as to how much it could, as a small city, contribute financially to a transmission undergrounding solution. In the end, the parties came to a joint agreement, as anticipated by the Commission Order. According to the filing:

“This Compliance Filing provides the joint recommendation of Xcel Energy and the City of Lindstrom that the Commission grant a Route Permit to the Company that provides for the 115 kilovolt (“kV”) overhead transmission facilities to be routed along the existing 69 kV alignment on First Avenue through Lindstrom. The Company and the City have agreed, however, that the Company will convert the existing distribution facilities and will coordinate the conversion of the other utility facilities (telephone and cable television), all of which are now “underbuilt” on the existing wood 69 kV transmission poles, to underground facilities from Linden and First Avenues to Highway 8 and Broadway Street. These undergrounding costs are to be treated as project costs, in order to accommodate the construction of the new 115 kV line within the existing 69 kV corridor along First Avenue.”

DOC EFP Staff Analysis and Comments

The only point of substantial disagreement in the Chisago Transmission Project routing proceeding had been through the city of Lindstrom. The Applicant had proposed to rebuild the 115 kV line on the right-of-way of the existing 69 kV line along 1st Avenue North. The city of Lindstrom intervened as a Formal Participant in the routing docket to support an alternative that would have undergrounded the new line along 1st Avenue North. OES EFP staff reviewed both

of these route alternatives in the Environmental Assessment.¹ The Administrative Law Judge (ALJ) then recommended an “Around the Lake”² alternative. The ALJ recommended this option to mitigate what he referenced in his report as “the special and definite tourism-related impacts associated with routing the line along the City of Lindstrom’s downtown corridor.”³

OES EFP staff agreed with the ALJ’s findings that there are specific impacts of the proposed project, and that some of these impacts can be mitigated in downtown Lindstrom.⁴ Staff presented an option in its recommendations and proposed route to mitigate the downtown impact by undergrounding the distribution along the Applicant’s proposed route. However, given the limited development of that concept within the record, staff recommended the Newell Alternative.

The Commission determined that the Applicant’s proposal was unsatisfactory in that it did not address necessary mitigations, especially allowing for free movement of pedestrian traffic. The Commission determined that the city’s proposal to underground the transmission along 1st Avenue was not a viable option, especially due to restrictions of the DOT restructuring of Hwy 8. The Commission determined they could not select the ALJ recommendation in that it was not supported in the record. The Commission did not select the staff alternative of undergrounding distribution in that it had not been sufficiently addressed in the record. Finally, the Commission had significant concerns about the Newell Avenue alternative due to issues of cost, precedent and questions as to how much the city would contribute to that option.

The result was the Commission’s direction that the city and the Applicant return to the table to work out an acceptable 1st Avenue solution, expand on how the city could participate financially in a Newell Avenue alternative, and, if at all possible, come to a mutual decision and recommendation. The Commission requested OES EFP Staff to help facilitate those discussions.

A Satisfactory Solution

The negotiations were not successful in finding a workable Newell Avenue solution. In the end, the \$4.9 million dollar incremental project costs were prohibitive, and the city had difficulty trying to develop situations and means in which and by which it could participate financially in a significant way.

The Joint Agreement offers a significantly less expensive solution for all parties, yet it addresses the important concerns of the city and the Commission. The solution solves the issue of pedestrian congestion by utilizing significantly smaller pole structures. To implement those smaller structures, it would be necessary to reduce the weight on the system by displacing the currently underbuilt distribution lines and replacing them underground.

This change allows all the conductors to hang streetside, alleviating the city’s concerns about building construction and economic development along 1st Avenue. Additionally, the reduction

¹ Environmental Assessment (“EA”), Chapters 6 and 7.

² EA, Appendix A (Map 8), and App. B. (Scoping Decision) at IV. 1.

³ ALJ Report, ¶¶ 98 and 105. These two findings were not adopted by the Commission, as they referenced the Judge’s preference for the “Around the Lake” alternative.

⁴ See generally, ALJ Report, pp. 41-45.

of clutter presents an arguably improved aesthetic along the avenue compared to the existing 69 kV installation with utilities underbuilt.

The cost of the redesigned proposal is an increment of \$818,000 over the original proposal or \$4.1 million less than the Newell Avenue alternative. The underground distribution system could have an impact on a number of businesses and residents as to their current connection to the system, including customer costs to upgrade of from \$2,000 to \$10,000 dollars. Therefore, the city and Xcel Energy negotiated that the Applicant would provide a temporary fund to facilitate any reconnections. Xcel Energy would provide up to \$80,000 to cover possible expenses, bringing the total agreement cost to between \$818,000 and \$898,000.

DOC EFP Staff Recommendation

OES EFP staff believes that the parties' discussions directly addressed the Commission's stated concerns; that both parties negotiated in good faith; and that the resulting Joint Agreement represents a satisfactory solution to the parties' interests and the Commission's concerns.

Additionally, staff consulted with OES Energy Regulation & Planning (OES ERP) rate analysts for ongoing input throughout the process. OES ERP staff has stated their satisfaction, agreeing with the parties and OES EFP that the Joint Agreement represents a reasonable expense addressing legitimate project costs.

PUC Decision Options

A. Make a Determination on the Record

1. Approve and Adopt the city of Lindstrom and Xcel Energy Joint Compliance Filing for the Chisago Transmission Project (PUC Docket No. E002/TL-06-1677) therein:
 - a. determining that the filing creates a sufficient record on which to make a route determination on Segment 2, and
 - b. determining that an HVTL Route Permit addendum, with appropriate conditions, should be issued to Xcel Energy for Segment 2.
2. Reject the Joint Compliance Filing as insufficient record to make further determinations, requesting specific additional information of the parties.
3. Make some other decision deemed more appropriate.

B. Make a Determination on the Route

1. Approve and Adopt the parties' Joint Agreement on a proposed route for Segment 2 as an addendum to the original permit, with the conditions of undergrounding the existing distribution lines and providing a temporary fund to implement reconnections to the new service.
2. Approve and Adopt a route addendum for Segment 2, rerouting the segment transmission line underground as provided for by the Newell Avenue alternative.
3. Make some other decision as to the route and permit conditions deemed more appropriate.

DOC EFP Staff Recommendations: Staff recommends options A1 and B1.

PROPOSED ROUTE PERMIT ADDENDUM
TO
THE CHISAGO TRANSMISSION PROJECT 115/161 kV TRANSMISSION
LINES, SUBSTATION UPGRADES AND THE NEW LAWRENCE
SUBSTATION ROUTE PERMIT
FOR
CONSTRUCTION OF “SEGMENT 2”
ISSUED TO
NORTHERN STATES POWER COMPANY dba XCEL ENERGY
PUC DOCKET No. E002/TL-06-1677

In accordance with the requirements of Minnesota Statutes Chapter 216E and Minnesota Rules Chapter 7849, this Route Permit is hereby issued to:

NORTHERN STATES POWER COMPANY dba XCEL ENERGY

Northern States Power Company (herein after “Xcel Energy” or the “Permittee”) is authorized to 1) replace the existing 69 kV transmission line along Segment 2 in downtown Lindstrom with a new 115 kV transmission line and 2) underground the distribution lines to allow for the use of fewer, shorter and smaller diameter transmission poles. The segment shall be built along the route identified in this Addendum and in compliance with the conditions specified therein.

Approved and adopted this _____ day of June 2008

BY ORDER OF THE COMMISSION

Burl W. Haar,
Executive Secretary

On page 2, under “**II. PROJECT DESCRIPTION,**” delete:

- ~~(the route through the city of Lindstrom will be determined at a later date as discussed in the Commission's Order)~~

and add:

- rebuild the existing 69 kV transmission line to 115 kV along 1st Avenue from Linden Street to Broadway Street and bury the existing distribution lines along the route,

On page 3, under “**II. PROJECT DESCRIPTION,**” add paragraph immediately preceding final paragraph:

Along 1st Avenue in Lindstrom, Xcel Energy will build on the existing alignment, except where necessary between Elm Street and Olinda Trail to accommodate MN/DOT plans for the expansion of HWY 8.

On page 3, under “**III. DESIGNATED ROUTE AND SUBSTATION SITES,**” add:

Segment 2 follows 1st Avenue to HWY 8 along the proposed alignment of the northern “reversed pair” segment of MN/DOT’s HWY 8 proposal. The structures will be 75-80 foot (average) 115 kV single-circuit, single steel poles approximately 24-30 inches in diameter. At HWY 8 east of Olinda Trail, the structures will revert to 115 kV single-circuit, single wood poles through Broadway Street. Xcel Energy will bury the distribution that is currently underbuilt on the existing poles along this segment.

On page 8, under “**V. SPECIAL CONDITIONS,**” add

4. As per the “Joint Recommendation” of Xcel Energy and the city of Lindstrom, the new 115 kV transmission line shall be installed overhead through the city, with the existing underbuild facilities (distribution, telephone, and cable television) along Segment 2 from Linden Street to Broadway Street placed underground. The pole structures will overhang the conductors to the street side along 1st Avenue to accommodate development along the downtown route.
5. As per the “Joint Recommendation” of Xcel Energy and the city of Lindstrom, Xcel Energy will set up a mitigation fund not to exceed \$80,000 to provide reconnection facility for residential and commercial service connections impacted by undergrounding the distribution.